Umtshezi Local Municipality
Annual Financial Statements
for the year ended 30 June 2015

General Information

Legal form of entity	Local municipality
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning land, economic and environmental development, and supplying of municipal services to the community.
Mayoral committee	
Mayor	Cllr Dlamini, BD
Councillors	Cllr Chetty, U
	Cllr Dladla, BS
	Cllr Dlamini, BA
	Cllr Dubazane, TC
	Cllr Duma, TG
	Cllr Gericke, RP
	Cllr Lite, E
	Cllr Magubane, SD
	Cllr Majola, EM
	Cllr Mchunu, ME
	Cllr Mlambo, SM
	Cllr Mlele, SC
	Cllr Nunes, CJS
	Cllr Sulieman, B
	Cllr Vilakazi, KA
	Cllr Zwane, Z
Grading of local authority	Grade 3
Capacity	Medium
Municipal demarcation code	KZN 234
Chief Finance Officer (CFO)	Zulu, MJ
Accounting Officer	Dladla, EH
Registered office	Civic Building Victoria Road Estcourt 3310
Business address	Civic Building Victoria Road Estcourt 3310
Postal address	PO Box 15 Estcourt 3310
Bankers	ABSA Bank First National Bank Nedbank Standard Bank
Auditors	Auditor General of South Africa (Kwazulu-Natal)

General Information

	Chartered Accountants (S.A.)
Attorneys	Matthew Francis Inc.

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The reports and statements set out below comprise the annual financial statements presented to the council:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IFRS	International Financial Reporting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Companies Act, 71 of 2008, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's auditors.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 7 to 83, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on his behalf by:

Dladla, EH
Accounting Officer

Estcourt

31 August 2015

Audit Committee Report

Report of the Auditor General

To the of Umtshezi Local Municipality

Report on the financial statements

I have audited the accompanying annual financial statements of the Umtshezi Local Municipality which comprise the statement of financial position as at 30 June 2015, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages 7 to 83.

Auditor General of South Africa (Kwazulu-Natal)

Mr J Soobramoney

31 August 2015

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

The municipality is engaged in in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: rates and general services - all types of services rendered by the municipality, excluding the following; housing services - supply housing to the community and includes the rental of units owned by the municipality to public and staff; waste management services - the collection, disposal and purifying of waste, refuse and sewerage; and electricity services - electricity is purchased in bulk from ESKOM and distributed to the consumers by the municipality. and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 8 630 253 (2014: surplus R 2 405 943).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Dladla, EH

Statement of Financial Position as at 30 June 2015

Figures in Afghani	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	2 302 502	7 349 068
Consumer receivables from exchange transactions	4	12 298 630	11 245 093
Other receivables from exchange transactions	5	29 605 902	29 605 902
Receivables from non-exchange transactions	6	65 427 830	44 225 458
VAT receivable	7	5 613 754	16 082 644
Loans and receivables	14	473 433	507 847
Investments	11	5 786 933	31 575 987
Inventories	12	2 547 219	1 289 560
		124 056 203	**141 881 559**
Non-Current Assets			
Property, plant and equipment	8	661 111 918	629 876 046
Intangible assets	9	214 298	437 980
Heritage assets	10	9 246 170	8 244 763
Investments	11	33 063	72 309
		670 605 449	**638 631 098**
Total Assets		**794 661 652**	**780 512 657**
Liabilities			
Current Liabilities			
Payables from exchange transactions	17	44 051 494	40 074 961
Consumer deposits	18	3 078 663	3 040 779
Finance lease obligation	19	2 550 075	3 032 408
Unspent conditional grants and receipts	20	2 450 470	18 921 942
Provisions	21	21 311 956	7 856 479
Current portion of long term loan	22	823 970	(196 512)
Sundry loans	23	733 660	733 660
		75 000 288	**73 463 717**
Non-Current Liabilities			
Finance lease obligation	19	8 991 289	11 307 202
Employee benefit obligation	13	22 853 000	20 987 000
Long term loan	22	9 060 344	7 478 130
		40 904 633	**39 772 332**
Total Liabilities		**115 904 921**	**113 236 049**
Net Assets		**678 756 731**	**667 276 608**
Accumulated surplus		676 660 064	666 181 348
Reserves			
Revaluation reserve	15	1 001 407	-
Housing operating account	16	1 095 260	1 095 260
Total Net Assets		**678 756 731**	**667 276 608**

* See Note 45

Statement of Financial Performance

Figures in Afghani	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	178 026 294	175 220 102
Rendering of services		1 963 749	2 136 653
Interest received - investment	26	2 573 293	2 442 844
Licences and permits		5 691 779	4 853 595
Administration and management fees received		70 745	67 979
Fees earned		27 372	92 477
Commissions received		-	447 581
Rental income		330 321	463 433
Other income		2 192 353	483 104
Total revenue from exchange transactions		**190 875 906**	**186 207 768**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	62 922 501	60 174 153
Property rates - penalties imposed	27	9 242 403	7 164 545
Transfer revenue			
Government grants and subsidies	28	103 240 922	71 951 607
Fines, penalties and forfeits		1 283 300	62 090
Total revenue from non-exchange transactions		**176 689 126**	**139 352 395**
Total revenue	24	**367 565 032**	**325 560 163**
Expenditure			
Employee related costs	29	(75 715 140)	(71 116 674)
Remuneration of councillors	30	(5 501 463)	(5 036 937)
Debt impairment	31	(8 857 568)	(14 452 108)
Depreciation and amortisation	32	(47 526 411)	(38 663 957)
Finance costs	33	(6 259 008)	(472 201)
Repairs and maintenance		(13 270 994)	(10 340 564)
Bulk purchases	34	(143 811 396)	(132 912 833)
Contracted services	35	(8 362 411)	(2 991 315)
Grants and subsidies paid		(6 921 404)	(6 142 844)
General expenses	36	(36 918 647)	(35 308 899)
Operating lease rentals	37	(2 997 876)	(4 120 768)
Loss on disposal of assets		-	(407 063)
Total expenditure		**(356 142 318)**	**(321 966 163)**
Operating surplus		**11 422 714**	**3 594 000**
Actuarial gains/losses	13	(944 000)	-
Surplus for the year		**10 478 714**	**3 594 000**

* See Note 45

Statement of Changes in Net Assets

Figures in Afghani	Housing Operating account	Accumulated surplus	Total net assets
Balance at 01 July 2013	**1 095 260**	**662 587 346**	**663 682 606**
Changes in net assets			
Surplus/(deficit) for the year	-	3 594 002	3 594 002
Total changes	-	3 594 002	3 594 002
Restated* Balance at 01 July 2014	**1 095 260**	**666 181 352**	**667 276 612**
Changes in net assets			
Surplus/(deficit) for the year	-	10 478 712	10 478 712
Total changes	-	10 478 712	10 478 712
Balance at 30 June 2015	**1 095 260**	**676 660 064**	**678 756 731**
Note(s)	16		

* See Note 45

Cash Flow Statement

Figures in Afghani	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Receipts from customers		241 106 230	215 747 735
Grants		86 769 450	74 033 001
Interest income		2 573 293	2 442 844
Other receipts		4 036	8 628 814
		330 453 009	300 852 394
Payments			
Personnel costs		(80 616 998)	(71 932 606)
Suppliers		(213 211 356)	(190 280 054)
Finance costs		(253 457)	1 153 202
Finance costs - finance leases		-	(1 625 403)
		(294 081 811)	(262 684 861)
Undefined difference compared to the cash generated from operations note		**1**	**-**
Net cash flows from operating activities	40	**36 371 199**	**38 167 533**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(63 304 622)	(45 706 564)
Proceeds from sale of property, plant and equipment	8	2 225 247	-
Purchase of other intangible assets	9	-	(6 361)
Purchase of financial assets		-	4 042 265
Proceeds from sale of financial assets		25 828 300	(8 195 567)
Purchase of other financial assets		-	407 071
Net cash flows from investing activities		**(35 251 075)**	**(49 459 156)**
Cash flows from financing activities			
Movement in long term loan		2 602 696	(2 376 120)
Movement in other liability		-	(3 487 345)
Repayment of shareholders loan		34 413	46 795
Finance lease		(8 803 798)	10 933 885
Net cash flows from financing activities		**(6 166 689)**	**5 117 215**
Net decrease in cash and cash equivalents		**(5 046 565)**	**(6 174 408)**
Cash and cash equivalents at the beginning of the year		7 349 068	13 523 474
Cash and cash equivalents at the end of the year	3	**2 302 503**	**7 349 066**

* See Note 45

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Afghani	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	196 414 757	(17 000 000)	**179 414 757**	178 026 294	**(1 388 463)**	51
Rendering of services	2 701 960	(484 201)	**2 217 759**	1 963 749	**(254 010)**	
Licences and permits	5 440 412	-	**5 440 412**	5 691 779	**251 367**	
Administration and management fees received	41 578	10 000	**51 578**	70 745	**19 167**	
Fees earned	107 846	(20 000)	**87 846**	27 372	**(60 474)**	
Commissions received	20 034	-	**20 034**	-	**(20 034)**	
Rental income	489 829	(360 000)	**129 829**	330 321	**200 492**	
Other income	121 400	500 000	**621 400**	2 192 353	**1 570 953**	51
Interest received - investment	6 194	-	**6 194**	2 573 293	**2 567 099**	51
Total revenue from exchange transactions	**205 344 010**	**(17 354 201)**	**187 989 809**	**190 875 906**	**2 886 097**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	54 206 294	-	**54 206 294**	62 922 501	**8 716 207**	
Property rates - penalties imposed	6 197 703	3 855 958	**10 053 661**	9 242 403	**(811 258)**	
Transfer revenue						
Government grants and subsidies	73 843 000	16 277 000	**90 120 000**	103 240 922	**13 120 922**	
Fines, penalties and forfeits	121 623	(60 000)	**61 623**	1 283 300	**1 221 677**	
Total revenue from non-exchange transactions	**134 368 620**	**20 072 958**	**154 441 578**	**176 689 126**	**22 247 548**	
Total revenue	**339 712 630**	**2 718 757**	**342 431 387**	**367 565 032**	**25 133 645**	
Expenditure						
Employee related costs	(68 186 205)	(319 026)	**(68 505 231)**	(75 715 140)	**(7 209 909)**	51
Remuneration of councillors	(5 907 975)	-	**(5 907 975)**	(5 501 463)	**406 512**	
Depreciation and amortisation	(49 373 334)	-	**(49 373 334)**	(47 526 411)	**1 846 923**	
Finance costs	(1 392 484)	(5 000 000)	**(6 392 484)**	(6 259 008)	**133 476**	
Lease rentals on operating lease	(2 324 626)	(497 342)	**(2 821 968)**	(2 997 876)	**(175 908)**	
Debt impairment	(9 823 760)	(3 083 840)	**(12 907 600)**	(8 857 568)	**4 050 032**	51
Repairs and maintenance	(12 279 375)	(2 643 978)	**(14 923 353)**	(13 270 994)	**1 652 359**	
Bulk purchases	(148 987 858)	8 957 000	**(140 030 858)**	(143 811 396)	**(3 780 538)**	
Contracted services	(3 544 234)	(5 244 034)	**(8 788 268)**	(8 362 411)	**425 857**	
Grants and subsidies paid	(10 142 950)	-	**(10 142 950)**	(6 921 404)	**3 221 546**	
General expenses	(35 017 485)	(12 403 597)	**(47 421 082)**	(36 918 647)	**10 502 435**	51
Total expenditure	**(346 980 286)**	**(20 234 817)**	**(367 215 103)**	**(356 142 318)**	**11 072 785**	
Operating surplus	**(7 267 656)**	**(17 516 060)**	**(24 783 716)**	**11 422 714**	**36 206 430**	
Actuarial gains/losses	-	-	**-**	(944 000)	**(944 000)**	
Surplus before taxation	**(7 267 656)**	**(17 516 060)**	**(24 783 716)**	**10 478 714**	**35 262 430**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Afghani	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(7 267 656)**	**(17 516 060)**	**(24 783 716)**	**10 478 714**	**35 262 430**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Afghani	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	1 109 037	**1 109 037**	2 547 219	**1 438 182**	
Loans to shareholders	-	507 847	**507 847**	473 433	**(34 414)**	
Investments	-	-	**-**	5 786 933	**5 786 933**	
Other receivables from exchange transactions	-	29 543 811	**29 543 811**	29 605 901	**62 090**	
Receivables from non-exchange transactions	-	33 930 614	**33 930 614**	65 427 830	**31 497 216**	
VAT receivable	-	16 726 878	**16 726 878**	5 613 754	**(11 113 124)**	
Consumer receivables	-	23 168 939	**23 168 939**	12 298 630	**(10 870 309)**	
Cash and cash equivalents	-	7 349 068	**7 349 068**	2 302 502	**(5 046 566)**	
	-	**112 336 194**	**112 336 194**	**124 056 202**	**11 720 008**	
Non-Current Assets						
Property, plant and equipment	33 573 240	92 515 185	**126 088 425**	661 111 918	**535 023 493**	
Intangible assets	-	-	**-**	214 297	**214 297**	
Heritage assets	-	-	**-**	9 246 170	**9 246 170**	
Investments	-	-	**-**	33 063	**33 063**	
	33 573 240	**92 515 185**	**126 088 425**	**670 605 448**	**544 517 023**	
Total Assets	**33 573 240**	**204 851 379**	**238 424 619**	**794 661 650**	**556 237 031**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	2 550 075	**2 550 075**	
Payables from exchange transactions	-	30 219 686	**30 219 686**	12 060 252	**(18 159 434)**	
Consumer deposits	-	3 040 779	**3 040 779**	3 078 663	**37 884**	
Unspent conditional grants and receipts	-	-	**-**	2 450 470	**2 450 470**	
Provisions	-	-	**-**	21 311 956	**21 311 956**	
Current portion of long term loan	-	-	**-**	823 970	**823 970**	
Sundry loans	-	-	**-**	733 660	**733 660**	
	-	**33 260 465**	**33 260 465**	**43 009 046**	**9 748 581**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	8 991 289	**8 991 289**	
Employee benefit obligation	-	8 121 882	**8 121 882**	22 853 000	**14 731 118**	
Long term loan	-	201 950	**201 950**	9 060 344	**8 858 394**	
	-	**8 323 832**	**8 323 832**	**40 904 633**	**32 580 801**	
Total Liabilities	**-**	**41 584 297**	**41 584 297**	**83 913 679**	**42 329 382**	
Net Assets	**33 573 240**	**163 267 082**	**196 840 322**	**710 747 971**	**513 907 649**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Afghani	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	**-**	1 001 407	**1 001 407**	
Housing Operating account	-	-	**-**	1 095 260	**1 095 260**	
Accumulated surplus	8 135 979	(83 599 170)	**(75 463 191)**	676 660 065	**752 123 256**	
Total Net Assets	**8 135 979**	**(83 599 170)**	**(75 463 191)**	**678 756 732**	**754 219 923**	

Figures in Afghani	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	60 403 997	3 855 958	64 259 955	-		64 259 955	72 164 904		7 904 949	112 %	119 %
Service charges	196 414 757	(17 000 000)	179 414 757	-		179 414 757	178 026 294		(1 388 463)	99 %	91 %
Investment revenue	6 194	-	6 194	-		6 194	2 573 293		2 567 099	41 545 %	41 545 %
Transfers recognised - operational	43 628 000	103 000	43 731 000	-		43 731 000	45 176 605		1 445 605	103 %	104 %
Other own revenue	9 044 682	(414 201)	8 630 481	-		8 630 481	11 559 618		2 929 137	134 %	128 %
Total revenue (excluding capital transfers and contributions)	**309 497 630**	**(13 455 243)**	**296 042 387**	**-**		**296 042 387**	**309 500 714**		**13 458 327**	**105 %**	**100 %**
Employee costs	(68 186 205)	(319 026)	(68 505 231)	-	-	(68 505 231)	(75 715 140)	-	(7 209 909)	111 %	111 %
Remuneration of councillors	(5 907 975)	-	(5 907 975)	-	-	(5 907 975)	(5 501 463)	-	406 512	93 %	93 %
Debt impairment	(9 823 760)	(3 083 840)	(12 907 600)			(12 907 600)	(8 857 568)	-	4 050 032	69 %	90 %
Depreciation and asset impairment	(49 373 334)	-	(49 373 334)			(49 373 334)	(47 526 411)	-	1 846 923	96 %	96 %
Finance charges	(1 392 484)	(5 000 000)	(6 392 484)	-	-	(6 392 484)	(6 259 008)	-	133 476	98 %	449 %
Materials and bulk purchases	(148 987 858)	8 957 000	(140 030 858)	-	-	(140 030 858)	(143 811 396)	-	(3 780 538)	103 %	97 %
Transfers and grants	(10 142 950)	-	(10 142 950)	-	-	(10 142 950)	(6 921 404)	-	3 221 546	68 %	68 %
Other expenditure	(53 165 720)	(12 957 731)	(66 123 451)	-	-	(66 123 451)	(61 549 927)	-	4 573 524	93 %	116 %
Total expenditure	**(346 980 286)**	**(12 403 597)**	**(359 383 883)**	**-**	**-**	**(359 383 883)**	**(356 142 317)**	**-**	**3 241 566**	**99 %**	**103 %**
Surplus/(Deficit)	**(37 482 656)**	**(25 858 840)**	**(63 341 496)**	**-**		**(63 341 496)**	**(46 641 603)**		**16 699 893**	**74 %**	**124 %**

Appropriation Statement

Figures in Afghani	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	30 215 000	16 174 000	46 389 000	-		46 389 000	58 064 317		11 675 317	125 %	192 %
Surplus (Deficit) after capital transfers and contributions	**(7 267 656)**	**(9 684 840)**	**(16 952 496)**	**-**		**(16 952 496)**	**11 422 714**		**28 375 210**	**(67)%**	**(157)%**
Surplus/(Deficit) for the year	**(7 267 656)**	**(9 684 840)**	**(16 952 496)**	**-**		**(16 952 496)**	**11 422 714**		**28 375 210**	**(67)%**	**(157)%**
Capital Expenditure and Funds Sources											
Total capital expenditure	33 573 240	90 783 649	124 356 889	-		124 356 889	181 704 337		57 347 448	146 %	541 %
Cash Flows											
Net cash from (used) operating	-	-	-	-		-	36 371 199		36 371 199	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(35 251 075)		(35 251 075)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(6 166 689)		(6 166 689)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**		**-**	**(5 046 565)**		**(5 046 565)**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	7 349 068		7 349 068	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**-**	**-**	**-**	**-**		**-**	**2 302 503**		**(2 302 503)**	**DIV/0 %**	**DIV/0 %**

Appropriation Statement

Figures in Afghani

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2014				
Financial Performance				
Property rates				67 338 698
Service charges				175 220 102
Investment revenue				2 442 844
Transfers recognised - operational				39 535 933
Other own revenue				8 606 913
Total revenue (excluding capital transfers and contributions)				**293 144 490**
Employee costs	-	-	-	(71 116 674)
Remuneration of councillors	-	-	-	(5 036 937)
Debt impairment	-	-	-	(14 452 108)
Depreciation and asset impairment	-	-	-	(38 663 957)
Finance charges	-	-	-	(472 201)
Materials and bulk purchases	-	-	-	(132 912 833)
Transfers and grants	-	-	-	(6 142 844)
Other expenditure	-	-	-	(53 168 608)
Total expenditure	**-**	**-**	**-**	**(321 966 162)**
Surplus/(Deficit)				**(28 821 672)**
Transfers recognised - capital				32 415 674
Surplus (Deficit) after capital transfers and contributions				**3 594 002**
Surplus/(Deficit) for the year				**3 594 002**
Captial Expenditure and Funds Sources				
Total capital expenditure				88 764 154

Appropriation Statement

Figures in Afghani	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash Flows				
Net cash from (used) operating				38 167 533
Net cash from (used) investing				(49 459 156)
Net cash from (used) financing				5 117 215
Net increase/(decrease) in cash and cash equivalents				**(6 174 408)**
Cash and cash equivalents at the beginning of the year				13 523 474
Cash and cash equivalents at year end				**7 349 066**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Companies Act, 71 of 2008.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Afghani. All figures have been rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post employment benefits

The present value of the post employment obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 13.

Effective interest rate

The municipality uses the government bond rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset given up.

Accounting Policies

1.3 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Buildings	
• Property and permanent fixtures	4-53 years
Finance leased assets	5 years
Motor vehicles	7 years
Office equipment and furniture	7 years
Plant and machinery	10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate; unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit; unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such a difference is recognised in surplus or deficit when the item is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Accounting Policies

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

1.5 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis to their estimated residual values as follows:

Item	Useful life
Computer software	5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such a difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 10 Heritage assets.

Initial measurement

Heritage assets are initially recognised cost.

Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement heritage assets are carried at cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

1.6 Heritage assets (continued)

Derecognition

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such a difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabiliites initially at fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

1.7 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and building elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.9 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.14 Statutory receivables

Statutory receivables are receivables that:

1.14 Statutory receivables (continued)

- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
  - the defnition of an asset is met; and
  - it its probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due the the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been inccurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit wihtin operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:

- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the receivable;
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

Accounting Policies

1.15 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within 12 months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises, because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

1.15 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Accounting Policies

1.15 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.16 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1.16 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

The related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on municipalities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards; and
- fines or other penalties that are imposed for breaches of the legislation.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy, but does not yet have a present obligation to pay that levy.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes (Property rates for municipalities)

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Collection charges and penalties

Collection charges and penalty interest are recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

1.18 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Where the municipality collects fines in the capacity of an agent, the fines will not be revenue of the municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue, is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exists in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Service concession arrangements: Grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:
- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:
- is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator.
- is provided by the grantor (municipality) which:
  - is an existing asset of the municipality; or
  - is an upgrade to an existing asset of the municipality.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:
- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

1.20 Service concession arrangements: Grantor (continued)

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:
- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determine using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 44 for detail.

1.22 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:
- overspending of the total amount appropriated in the municipality’s approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of ‘‘allocation’’ otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

1.26 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.27 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 41.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:

- contracts are non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.28 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

1.29 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.30 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Accounting Policies

1.30 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Alllowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2015 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, and is likely to have an immaterial impact.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, and is likely to have an immaterial impact.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 107: Mergers

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the conbining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, and is likely to have an immaterial impact.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity’s annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users’ assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the reporting entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person’s family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:
- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:
- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. These amendments should be applied prospectively for annual financial periods beginning on or after the effective date.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. These amendments should be applied prospectively for annual financial periods beginning, on or after the effective date, from the date at which the municipality first applied the Standard of GRAP of Non-Current Assets Held for Sale and Discontinued Operations.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. These amendments should be applied when the municipality applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of this amendment in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. These amendments should be applied prospectively for annual financial period beginning on or after the effective date.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. These amendments and addition should be applied when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of this amendment is in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. These amendments should be applied prospectively for annual financial periods beginning on or after the effective date.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. These amendments and addition should be applied when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of this amendment is in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective, and is likely to have an immaterial impact.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective, and is likely to have an immaterial impact.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective, and is likely to have an immaterial impact.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

Directive 11: Changes in Measurement Bases Following the Initial Adoption of Standards of GRAP

The objective of this directive is to permit the municipality to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this directive allows the municipality, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the municipality elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the municipality made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this directive, the municipality will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the directive is for years beginning on or after 01 April 2015.

The municipality expects to adopt the directive for the first time in the 2016 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	2014
Cash on hand	8 738	8 738
Bank balances	2 293 764	7 340 329
	2 302 502	**7 349 067**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
First National Bank - Current account - 522000363994	3 594 086	7 957 943	13 993 617	2 293 764	7 340 329	13 516 735

4. Receivables from exchange transactions (for municipalities)

	2015	2014
Gross balances		
Electricity	12 301 296	11 954 447
Refuse	9 968 372	9 385 556
Fines and licensing services	3 655 192	2 882 451
	25 924 860	**24 222 454**
Less: Allowance for impairment		
Electricity	(1 710 452)	(1 629 002)
Refuse	(9 185 256)	(8 747 862)
Fines and licensing services	(2 730 522)	(2 600 496)
	(13 626 230)	**(12 977 360)**
Net balance		
Electricity	10 590 844	10 325 445
Refuse	783 116	637 694
Fines and licensing services	924 670	281 954
	12 298 630	**11 245 093**
Electricity		
Current (0 -30 days)	10 180 591	9 382 178
31 - 60 days	410 253	520 937
61 - 90 days	-	422 330
	10 590 844	**10 325 445**
Refuse		
Current (0 -30 days)	392 768	277 146
31 - 60 days	264 956	185 303
61 - 90 days	125 392	175 245
	783 116	**637 694**
Other (specify)		
Current (0 -30 days)	17 484	190 443
31 - 60 days	107 908	64 721
61 - 90 days	799 278	26 790
	924 670	**281 954**

Figures in Afghani	2015	2014

4. Receivables from exchange transactions (for municipalities) (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	1 471 073	5 425 354
31 - 60 days	764 847	960 429
61 - 90 days	893 862	860 679
> 90 days	22 275 647	48 229 905
	25 405 429	**55 476 367**

Industrial/ commercial		
Current (0 -30 days)	12 790 075	5 193 193
31 - 60 days	691 326	755 653
61 - 90 days	439 544	558 434
> 90 days	6 770 833	8 103 412
	20 691 778	**14 610 692**

National and provincial government		
Current (0 -30 days)	2 659 045	1 574 797
31 - 60 days	1 337 577	2 637 405
61 - 90 days	1 249 766	934 384
> 90 days	28 608 451	17 249 376
	33 854 839	**22 395 962**

Total		
Current (0 -30 days)	16 920 192	12 844 959
31 - 60 days	2 793 750	5 229 833
61 - 90 days	2 583 171	2 527 715
121 - 365 days	57 654 931	73 633 010
	79 952 044	94 235 517
Less: Allowance for impairment	(46 662 933)	(38 764 965)
	33 289 111	**55 470 552**

Less: Allowance for impairment		
Current (0 -30 days)	(13 175 982)	(10 310 939)
31 - 60 days	(450 248)	(1 647 306)
61 - 90 days	-	(968 798)
91 - 120 days	-	(50 317)
	(13 626 230)	**(12 977 360)**

Sundry		
Current (0 -30 days)	150 299	651 615
31 - 60 days	18 131	876 345
61 - 90 days	66 187	174 219
> 90 days	946 180	50 317
	1 180 797	**1 752 496**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(12 977 360)	(14 116 323)
Contributions to allowance	(13 626 230)	(13 595 693)
Reversal of allowance	12 977 360	14 734 656
	(13 626 230)	**(12 977 360)**

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

4. Receivables from exchange transactions (for municipalities) (continued)

Consumer debtors pledged as security

None of the receivables were pledged as security.

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from exchange transactions impaired

As of 30 June 2015, receivables from exchange transactions of R 46 662 933 (2014: R 38 764 965) were impaired and provided for.

The ageing of these receivables is as follows:

Over 90 days	46 662 933	38 764 965

5. Other receivables from exchange transactions

Hostel redevelopment and upgrading	29 246 331	29 246 331
Stamps on hand	2 036	2 036
Department of Health	357 535	357 535
	29 605 902	**29 605 902**

6. Receivables from non-exchange transactions

Fines	1 205 680	-
Property rates	64 222 150	44 225 458
	65 427 830	**44 225 458**

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security.

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

7. VAT receivable

VAT receivable	5 613 754	16 082 644

Notes to the Annual Financial Statements

Figures in Afghani

8. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	433 893 241	(103 271 364)	330 621 877	374 869 451	(88 799 507)	286 069 944
Motor vehicles	15 155 235	(9 906 729)	5 248 506	14 390 192	(7 275 686)	7 114 506
Infrastructure	385 208 226	(148 890 450)	236 317 776	411 925 725	(123 100 631)	288 825 094
Other property, plant and equipment	21 127 046	(13 707 351)	7 419 695	18 460 943	(11 116 391)	7 344 552
Work in progress	57 794 526	-	57 794 526	28 372 717	-	28 372 717
Finance lease assets	15 717 241	(5 387 058)	10 330 183	15 717 241	(3 568 008)	12 149 233
Land	13 379 355	-	13 379 355	-	-	-
Total	**942 274 870**	**(281 162 952)**	**661 111 918**	**863 736 269**	**(233 860 223)**	**629 876 046**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	286 069 945	55 724 577	(23 333)	3 322 545	(14 471 857)	330 621 877
Motor vehicles	7 114 506	1 634 752	(1 383 832)	-	(2 116 921)	5 248 505
Infrastructure	288 825 094	(50 554 475)	(141 166)	23 978 142	(25 789 819)	236 317 776
Other property, plant and equipment	7 344 551	3 857 146	(676 916)	-	(3 105 086)	7 419 695
Work in progress	28 372 717	56 722 496	-	(27 300 687)	-	57 794 526
Finance leased assets	12 149 233	-	-	-	(1 819 050)	10 330 183
Land	-	13 379 355	-	-	-	13 379 355
	629 876 046	**80 763 851**	**(2 225 247)**	**-**	**(47 302 733)**	**661 111 917**

Notes to the Annual Financial Statements

Figures in Afghani

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Buildings	272 109 939	12 230 424	-	33 195 254	2 555 130	(34 020 802)	286 069 945
Motor vehicles	9 381 173	-	(367 452)	-	(224 283)	(1 674 932)	7 114 506
Infrastructure	288 825 094	-	-	-	-	-	288 825 094
Other property, plant and equipment	7 645 996	1 764 012	-	-	-	(2 065 457)	7 344 551
Work in progress	36 405 754	21 474 302	-	(33 195 254)	3 687 915	-	28 372 717
Finance lease assets	1 548 351	10 237 826	(39 611)	-	1 133 071	(730 404)	12 149 233
	615 916 307	**45 706 564**	**(407 063)**	**-**	**7 151 833**	**(38 491 595)**	**629 876 046**

Pledged as security

None of the above property, plant and equipment have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Reconciliation of Work-in-Progress 2015

9. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 154 253	(939 955)	214 298	1 154 253	(716 273)	437 980

Figures in Afghani	2015	2014

9. Intangible assets (continued)

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software	437 980	(223 683)	214 297

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	604 447	6 361	(172 828)	437 980

Pledged as security

None of the above intangible assets have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	9 246 170	-	9 246 170	8 244 763	-	8 244 763

Reconciliation of heritage assets 2015

	Opening balance	Revaluation increase/(decrease)	Total
Historical buildings	8 244 763	1 001 407	9 246 170

Reconciliation of heritage assets 2014

	Opening balance	Total
Historical buildings	8 244 763	8 244 763

Pledged as security

None of the above heritage assets have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Investments

	2015	2014
Total other financial assets	**5 819 995**	**31 648 296**
Current portion		
FNB - Account number: 62033811995	967 060	-
FNB 32-day Call Account - Housing Operating - Account number: 74407973409	2 249 082	2 120 241
FNB Call Account - Account number: 74453547422	-	6 076 932
FNB Call Account - Account number: 62033811995	-	3 124 373

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014
11. Investments (continued)		
FNB Money Market - INEP - Account number: 62347581060	39 015	4 837 200
FNB Money Market - MIG - Account number: 62281385130	342 505	7 015 250
FNB Money Market - NDPG - Account number: 62232266991	32 038	31 007
FNB Money Market - Small Town Rehabilitation - Account number: 62347582050	1 556 409	6 659 816
FNB MSIG - Account number: 62216024737	524 096	484 737
Standard Bank - Account number: 12528	12 528	12 528
FNB Fixed Deposit - Account number: 71021254116	36 246	-
FNB Fixed Deposit - Account number: 7106697123	14 000	-
FNB Land Sales - Account number: 62216019019	12 970	1 201 947
ABSA Call Account - Account number: 9106646490	983	956
NB Fixed Deposit - Account number: 71048724530	-	11 000
	5 786 932	**31 575 987**

	2015	2014
Non current portion		
FNB Fixed Deposit - Account number: 71048724530	11 000	-
FNB Fixed Deposit - Account number: 71021254116	-	36 246
FNB Fixed Deposit - Account number: 7106697123	-	14 000
Nedbank Fixed Deposit - Account number: 19542952	22 063	22 063
	33 063	**72 309**

12. Inventories

	2015	2014
Consumable stores	2 547 219	1 289 560

Inventory pledged as security

None of the inventory transactions were pledged as security.

Figures in Afghani	2015	2014

13. Employee benefit obligations

Defined benefit plan

Post retirement benefit plan

The municipality makes provision for port-retirement benefits to eligible councilors and employees, who belong to different pension schems.

All councillors belong to the pension fund for municipal councillors.

Employees belong to a variety of approved pension and provident funds.

These funds are are governed by the Pension Funds Act of 1956 and include both devined benefit and devined contribution schemes. All of these funds are multi-employer plans and are subject to eithera tri-annual, bi-annual or annual actuarial valuation.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:
(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors or employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the muncipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by One Pangaea Financial. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Long service awards

According to the rules of the long service awards scheme, which the municipality instituted and operates, an employee (who is on the current conditions service), is entitled to a cash allowances calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The amounts recognised in the statement of financial position are as follows:

	2015	2014
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(17 618 000)	(16 766 000)
Present value of long service awards obligation	(5 235 000)	(4 221 000)
	(22 853 000)	**(20 987 000)**

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

13. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(16 766 000)	(16 766 000)
Contributions by plan participants	(1 393 000)	-
Actuarial gains (losses)	(562 000)	-
Benefits paid	1 103 000	-
	(17 618 000)	**(16 766 000)**

Changes in the present value of the long service award obligation are as follows:

Opening balance	(4 221 000)	-
Provision for the year	(1 014 000)	(4 221 000)
	(5 235 000)	**(4 221 000)**

Net expense of the long service awards obligation recognised in the statement of financial performance

Opening balance (ignore)	(4 221 000)	-
Current service cost	(842 000)	-
Past service cost	-	(4 221 000)
Actuarial gains (losses)	(382 000)	-
Expected benefit payments	210 000	-
	(5 235 000)	**(4 221 000)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7,75 %	8,55 %
Consumer price inflation	6,07 %	6,33 %
Salary increase rate	7,07 %	7,33 %
Net discount rate	0,64 %	1,14 %

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost	163 000	141 000
Effect on defined benefit obligation	(19 539 000)	(15 963 000)
Effect on the aggregate of the interest cost	1 614 000	1 310 000

Service cost was nil due to the fact that the participants to this benefit arrangement are all pensioners and the service cost was fully accrued for at retirement.

Amounts for the current and previous four years are as follows

	2015	2014	2013	2012	2011
Defined benefit obligation	(17 618 000)	(16 766 000)	(15 122 000)	(12 601 000)	(11 288 000)
Long service awards obligation	(5 235 000)	(4 221 000)	-	-	-

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

14. Loans and receivables

Loans and receivables - At amortised cost	473 433	507 847
The loans are secured by the land sold. No provisions have been made for doubtful debts as the debts owing are considered recoverable.		

15. Revaluation reserve

The revaluation of the heritage assets was performed on 30 June 2015 and resulted in an increase in the revaluation reserve.

Change during the year	1 001 407	-

16. Housing Operating account

Housing operating account	1 095 260	1 095 260

17. Payables from exchange transactions

Trade payables	35 919 727	31 620 799
Accrued leave pay	8 131 767	8 454 162
	44 051 494	**40 074 961**

18. Consumer deposits

Electricity	3 078 663	3 040 779

Guarantees held in lieu of electricity deposits R 3,078,663 (2014: R 3,040,779)

19. Finance lease obligation

Minimum lease payments due		
- within one year	4 027 659	4 787 544
- in second to fifth year inclusive	10 894 172	14 839 247
- later than five years	(2 367 066)	-
	12 554 765	19 626 791
less: future finance charges	-	(5 287 181)
Present value of minimum lease payments	**12 554 765**	**14 339 610**
Present value of minimum lease payments due		
- within one year	4 189 800	3 032 408
- in second to fifth year inclusive	8 364 965	11 307 202
	12 554 765	**14 339 610**
Non-current liabilities	8 991 289	11 307 202
Current liabilities	2 550 075	3 032 408
	11 541 364	**14 339 610**

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 1.3.

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Good governance grant	84 547	84 547
Small town rehabilitation grant	2 344 649	11 599 065
INEP	19 363	1 644 471
Municipal infrastructure grant	(1)	5 482 793
Municipal systems infrastructure grant	-	2 450
Sports infrastructure grant	1 912	108 617
	2 450 470	**18 921 943**

Movement during the year

Balance at the beginning of the year	18 921 942	16 840 549
Additions during the year	86 769 450	74 033 000
Income recognised during the year	(103 240 922)	(71 951 607)
	2 450 470	**18 921 942**

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Afghani

21. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Reversed during the year	Interest cost	Total
Provision for landfill site	7 818 244	13 379 355	-	114 357	21 311 956
Legal proceedings	38 235	-	(38 235)	-	-
	7 856 479	**13 379 355**	**(38 235)**	**114 357**	**21 311 956**

Reconciliation of provisions - 2014

	Opening Balance	Interest cost	Total
Legal proceedings	7 795 155	23 089	7 818 244
Provision for landfill site	38 235	-	38 235
	7 833 390	**23 089**	**7 856 479**

The landfill site is situated approximately 5km north of Estcourt, adjacent to the N3 southbound to Durban. The site coordinates are -29.052221°S and 29.911667°E.

The landfill site is licensed in terms of the Environment Conservation Act 1989 (Act 73 of 1989). The permit number is D00228-01 and was issued on 14 January 2009.

The site is operational and is receiving general waste from Umtshezi. The waste is brought in by municipality operated waste collection trucks.

The provision is made with regards to rehabilitation of the land and closure of the land fill site. The landfill site currently has an estmated useful life of 20 years. A valuation for the rehabilitation of the landfill site was conducted by the municipality and certified by One Pangaea Financial. The work was carried out by Mr Qaqambile Ngumbela, a professional environmental engineer employed by One Pangaea Financial.

The interest costs legal provision is in relation to the Telkom lines that were damaged during road maintenance carried out.

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

22. Long term loan

Current portion of long term loans	823 970	(196 512)
Non-current portion of long term loans	9 060 344	7 478 130
	9 884 314	**7 281 618**

23. Sundry loans

Current portion of sundry loans	733 660	733 660

24. Revenue

Service charges	178 026 294	175 220 102
Property rates	62 922 501	60 174 153
Property rates - penalties imposed	9 242 403	7 164 545
Government grants and subsidies	103 240 922	71 951 607
Interest received - investment	2 573 293	2 442 844
Rendering of services	1 963 749	2 136 653
Licences and permits	5 691 779	4 853 595
Administration and management fees received	70 745	67 979
Fees earned	27 372	92 477
Commissions received	-	447 581
Rental income	330 321	463 433
Other income	2 192 353	483 104
Fines, penalties and forfeits	1 283 300	62 090
	367 565 032	**325 560 163**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	178 026 294	175 220 102
Rendering of services	1 963 749	2 136 653
Licences and permits	5 691 779	4 853 595
Administration and management fees received	70 745	67 979
Fees earned	27 372	92 477
Commissions received	-	447 581
Rental income	330 321	463 433
Other income	2 192 353	483 104
Interest received - investment	2 573 293	2 442 844
	190 875 906	**186 207 768**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	62 922 501	60 174 153
Property rates - penalties imposed	9 242 403	7 164 545
Transfer revenue		
Government grants and subsidies	103 240 922	71 951 607
Fines, penalties and forfeits	1 283 300	62 090
	176 689 126	**139 352 395**

25. Service charges

Sale of electricity	171 398 539	168 690 974
Refuse removal	6 627 755	6 529 128
	178 026 294	**175 220 102**

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

26. Investment revenue

Interest revenue		
Bank	378 584	524 394
Interest charged on trade and other receivables	423 203	668 065
Interest on investments	1 724 907	1 196 383
Interest received - other	46 599	54 002
	2 573 293	**2 442 844**

27. Property rates

Rates received

Property rates	94 662 103	92 592 250
Less: Income forgone	(31 739 602)	(32 418 097)
	62 922 501	60 174 153
Property rates - penalties imposed	9 242 403	7 164 545
	72 164 904	**67 338 698**

Valuations

Agriculture	657 264 000	643 174 000
Agricultural smallholding	115 662 000	116 207 000
Commercial	456 067 000	453 067 000
Communal property association	210 737 000	265 797 000
Industrial	391 305 000	396 560 000
Institutional	20 442 000	19 392 000
Municipal	178 935 400	179 075 400
Conservation - NEMA	10 000 000	10 000 000
Public benefit organisation	830 000	830 000
Public service infrastructure	40 662 000	40 662 000
Recreational club	1 751 000	1 751 000
Residential	1 750 146 500	1 744 225 500
Residential - informal	21 938 000	21 938 000
Residential - hospitality	27 225 000	27 225 000
Sectional title - commercial	12 765 000	12 765 000
Sectional title - residential	75 510 000	63 180 000
Sectional title - residential hospitality	2 450 000	2 450 000
State-owned	843 864 000	796 681 000
Place of worship	69 003 000	69 003 000
	4 886 556 900	**4 863 982 900**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis and are payable on the first of each month. Interest at 1.5% per month (2014: 1.5% per month) and a collection fee of 10% per annum (2014: 10% per annum), is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2017.

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

28. Government grants and subsidies

Operating grants

	2015	2014
Equitable share	40 230 450	33 196 000
EPWP grant	1 000 000	1 000 000
Caretaker maintenence grant	-	300 000
Sports infrastructure grant	631 705	1 466 383
Museum	302 000	568 000
Provincialisation of libraries	1 950 000	1 878 000
Community library services grant	126 000	240 000
Municipal systems improvement grant	936 450	887 550
	45 176 605	39 535 933
Capital grants		
Municipal infrastructure grant	19 729 264	10 941 500
INEP	9 980 637	10 555 529
Neighbourhood development partnership grant	14 500 000	7 439 585
Small town rehabilitation grant	12 254 416	1 929 060
Finance management grant	1 600 000	1 550 000
	58 064 317	32 415 674
	103 240 922	**71 951 607**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2015	2014
Conditional grants received	45 176 605	39 535 933
Unconditional grants received	58 064 317	32 415 674
	103 240 922	**71 951 607**

Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

100% of the grant is used to subside the indigent community.

EPWP Grant

	2015	2014
Balance unspent at beginning of year	-	1 000 000
Current - year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	-

Caretaker maintenance grant

	2015	2014
Current - year receipts	-	300 000
Conditions met - transferred to revenue	-	(300 000)
	-	-

Conditions were met during the previous year. No further grant was received during the current year.

Finance management grant

	2015	2014
Current - year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(1 550 000)
	-	-

Figures in Afghani	2015	2014

28. Government grants and subsidies (continued)

Conditions were met during the year.

Sport infrastructure grant

Balance unspent at beginning of year	108 617	525 000
Current - year receipts	525 000	1 050 000
Conditions met - transferred to revenue	(631 705)	(1 466 383)
	1 912	**108 617**

Conditions still to be met - remain liabilities (see note 20).

The grant is for the upgrading of sports facilities in the local community.

Museum grant

Current - year receipts	302 000	568 000
Conditions met - transferred to revenue	(302 000)	(568 000)
	-	-

Conditions were met during the current year..

Provincialisation of libraries grant

Current - year receipts	1 950 000	1 878 000
Conditions met - transferred to revenue	(1 950 000)	(1 878 000)
	-	-

Conditions were met during the current year.

Community library services grant

Current - year receipts	126 000	240 000
Conditions met - transferred to revenue	(126 000)	(240 000)
	-	-

Conditions were met during the current year.

Municipal systems improvement grant

Balance unspent at beginning of year	2 450	-
Current - year receipts	934 000	890 000
Conditions met - transferred to revenue	(936 450)	(887 550)
	-	**2 450**

Conditions were met during the current year.

Municipal infrastructure grant

Balance unspent at beginning of year	5 482 793	1 263 293
Current - year receipts	14 246 471	15 161 000
Conditions met - transferred to revenue	(19 729 264)	(10 941 500)
	-	**5 482 793**

Conditions were met during the current year.

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

28. Government grants and subsidies (continued)

INEP

Balance unspent at beginning of year	1 644 471	-
Current - year receipts	8 355 529	12 200 000
Conditions met - transferred to revenue	(9 980 637)	(10 555 529)
	19 363	**1 644 471**

The grant is used for the installation, rehabilitation and refurbishment of electricity infrastructure at a local level to support sustained supply of electricity and to eradicate the electrification backlogs.

Neighbourhood development partnership grant

Balance unspent at beginning of year	-	7 439 585
Current - year receipts	14 500 000	-
Conditions met - transferred to revenue	(14 500 000)	(7 439 585)
	-	**-**

Conditions were met during the current year.

Small town rehabilitation grant

Balance unspent at beginning of year	11 599 065	7 528 124
Current - year receipts	3 000 000	6 000 000
Conditions met - transferred to revenue	(12 254 416)	(1 929 059)
	2 344 649	**11 599 065**

The grant is allocated to small towns to rejuvenate and encourage growth and youth development.

Good governance grant

Balance unspent at beginning of year	84 547	84 547

This grant is used to assist the municipality in achieving good governance.

29. Employee related costs

Basic	51 699 855	45 232 958
Bonus	4 148 603	3 989 443
Medical aid - company contributions	3 910 006	3 510 244
UIF	496 800	450 067
SDL	661 723	600 463
Leave pay provision charge	(322 395)	1 776 252
Defined contribution plans	-	1 644 000
Overtime payments	3 519 273	2 882 673
Long-service awards	-	3 000
Car allowance	1 701 243	1 660 893
Housing benefits and allowances	295 980	222 868
Group life insurance	391 694	365 200
Other payroll levies	32 863	30 105
Other allowances	878 057	905 276
Pension funds	7 311 585	7 563 770
Redemption of leave	243 040	279 460
Long-term benefits - incentive scheme	746 813	-
	75 715 140	**71 116 672**

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

29. Employee related costs (continued)

Remuneration of Ms PN Njoko - Municipal Manager

Annual remuneration	926 222	1 011 722
Travel allowance	-	10 638
Leave pay	27 802	-
Subsistence allowance	4 400	-
Contributions to UIF, medical and pension funds	1 636	1 785
	960 060	**1 024 145**

Remuneration of Mr MJ Zulu - Chief Financial Officer

Annual remuneration	630 000	380 100
Car allowance	192 000	112 000
Subsistence allowance	44 140	17 988
Telephone allowance	26 215	15 292
Contributions to UIF, medical and pension funds	1 785	1 041
	894 140	**526 421**

Remuneration of Mr EH Dladla - Director Planning, Economic and Social services

Annual remuneration	616 281	501 000
Travel allowance	172 750	172 750
Telephone allowance	31 050	31 050
Housing allowance	86 665	86 665
Acting Allowance	-	40 000
Contributions to UIF, medical and pension funds	1 785	1 785
Bonuses	42 606	41 750
Subsistence and travelling	15 399	1 639
	966 536	**876 639**

Remuneration of Mr HB Chotoo - Director Corporate Services

Annual remuneration	1 162 043	659 304
Acting CFO Allowance	9 256	1 419
Subsistence and travelling	71 990	35 012
Contributions to UIF, medical and pension funds	1 785	1 785
	1 245 074	**697 520**

Remuneration of Mr PPS Zamisa - Director Technical Services

Annual remuneration	-	290 556
Travel allowance	-	120 000
Housing allowance	-	9 395
Leave pay	-	67 299
Contributions to UIF, medical and pension funds	-	1 338
Telephone allowance	-	6 400
	-	**494 988**

Mr PPS Zamisa vacated his office on 21 February 2013 and his outstanding leave was settled

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations and as deterined by Government Gazzet 37281, 29 January 2014.

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

30. Remuneration of councillors

Executive Mayor	743 724	645 585
Deputy Executive Mayor	606 324	469 773
Speaker	603 190	513 682
Councillors	3 068 725	2 977 689
Defined benefit plan: Service costs	479 800	429 382
	5 501 763	**5 036 111**

In-kind benefits

The Mayor, Deputy Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

30. Remuneration of councillors (continued)

2015	Annual remuneration	Travel allowance	Contibutions to medical and pension funds	Total
Executive Mayor - Dlamini, DB	468 584	204 852	70 288	743 724
Deputy Executive Mayor - Dlamini, BA	359 841	175 227	71 256	606 324
Speaker - Nunes, CJS	374 867	172 093	56 230	603 190
Councillor - Chetty, U	140 575	78 355	21 086	240 016
Councillor -Dladla, BS	140 575	78 355	21 086	240 016
Councillor - Dubazane, TC	140 575	78 355	21 086	240 016
Councillor - Duma, TG	140 575	95 415	21 086	257 076
Councillor - Gericke, RP	140 575	78 355	21 086	240 016
Councillor - Lite, E	140 575	80 105	21 086	241 766
Councillor - Magubane, SD	140 575	86 108	21 086	247 769
Councillor - Majola, EM	193 291	119 619	28 994	341 904
Councillor - Mchunu, ME	140 575	91 695	21 086	253 356
Councillor - Mlambo, SM	140 575	92 905	21 086	254 566
Councillor - Mlele, SC	140 575	94 445	21 086	256 106
Councillor - Sulieman, B	161 661	78 355	-	240 016
Councillor - Vilakazi, KA	140 575	93 925	21 086	255 586
Councillor - Zwane, Z	140 575	78 355	21 086	240 016
	3 245 144	**1 776 519**	**479 800**	**5 501 463**

2014	Annual remuneration	Travel allowance	Contibutions to medical and pension funds	Total
Executive Mayor - Dlamini, BD	442 060	203 525	66 309	711 894
Speaker - Nunes, CJS	353 649	160 033	53 047	566 729
Councillor - Chetty, U	34 937	19 790	4 973	59 700
Councillor - Dladla, BS	132 618	75 305	19 893	227 816
Councillor - Dlamini, BA	318 838	150 935	47 826	517 599
Councillor - Dubazane, TC	132 618	75 305	19 893	227 816
Councillor - Duma, TG	132 618	75 305	19 893	227 816
Councillor - Gericke, RP	132 618	75 305	19 893	227 816
Councillor - Lite, E	132 618	75 305	19 893	227 816
Councillor - Magubane, SD	132 618	77 696	19 893	230 207
Councillor - Majola, EM	182 350	111 465	27 352	321 167
Councillor - Mchunu, ME	132 618	75 305	19 893	227 816
Councillor - Mlambo, SM	132 618	75 305	19 893	227 816
Councillor - Mlele, SC	132 618	75 305	19 893	227 816
Councillor - Sulieman, B	152 511	75 305	-	227 816
Councillor Vahed, DM	71 300	40 487	11 052	122 839
Councillor - Vilakazi, KA	132 618	75 305	19 893	227 816
Councillor - Zwane, Z	132 618	75 305	19 893	227 816
	3 014 443	**1 592 286**	**429 382**	**5 036 111**

31. Debt impairment

	2015	2014
Contributions to allowance for impairment	-	3 851 829
Bad debts written off	8 857 568	10 600 279
	8 857 568	**14 452 108**

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

32. Depreciation and amortisation

Property, plant and equipment	47 302 729	38 491 598
Intangible assets	223 682	172 359
	47 526 411	**38 663 957**

33. Finance costs

Non-current borrowings	-	(1 188 058)
Finance leases	6 005 552	1 625 403
Bank overdraft	4 034	23 089
Other interest paid	249 422	11 766
	6 259 008	**472 200**

34. Bulk purchases

Electricity	143 811 396	132 912 833

35. Contracted services

Information technology services	1 034 085	924 657
Monitoring consulting services	6 401 790	1 009 918
Specialist services	716 965	757 092
Legal advisory services	209 571	299 647
	8 362 411	**2 991 314**

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

36. General expenses

Advertising	140 903	512 741
Auditors remuneration	1 207 695	1 171 704
Bank charges	395 352	561 709
Cleaning	258 116	176 698
Commission paid	2 064 104	2 275 191
Computer maintenance expenses	45 075	89 075
Staff refreshments	16 685	10 948
Donations	289 080	488 709
Entertainment	100 120	60 017
Insurance	997 922	1 021 176
Conferences and seminars	360 079	164 999
Emergency relief	20 800	4 931
Fleet	321 354	449 357
Ward committee expenses	620 227	542 550
Membership fees	456 524	(66 644)
Pest control	5 093	2 028
Fuel and oil	4 627 279	2 018 110
Postage and courier	432 674	337 961
Printing and stationery	479 051	535 678
Promotions	58 000	21 023
Protective clothing	837 526	549 414
Project maintenance costs	1 545 393	1 172 874
Security	10 002 240	10 128 593
Telephone and fax	1 863 268	2 054 972
Training	1 053 666	352 655
Travel - local	1 187 875	707 793
Refuse	565 894	236 807
Electricity	1 537 982	1 536 453
Water	999 752	1 355 434
Tourism development	1 289 462	2 995 049
Public Participation	415 471	101 964
Internal audit fees	277 929	912 973
Indigent burials	140 014	95 509
Staff bursaries	125 254	132 070
Town planning and surveying costs	240 154	8 500
Publicity	104 684	250 749
Registration support fees	372 592	431 028
Venue expenses	1 100 395	1 015 963
Valuation roll expenses	216 515	729 569
Social development programs	146 448	162 572
	36 918 647	**35 308 902**

37. Operating lease rentals

Operating leases for equipment and fire engine is payable on pre-determined monthly instalments.

Instalments to the operating lease agreements are pre-determined and in agreement with the active market prices.

Operating leases to equipment, machinery and emergency vehicles are renewable upon the expiry date of the contract.

38. Auditors' remuneration

Audit fees	1 207 695	1 171 704

39. Financial instruments disclosure

Categories of financial instruments

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

. Financial instruments disclosure (continued)

2015

Financial assets

	At amortised cost	Total
Cash and cash equivalents	2 302 502	2 302 502
Consumer receivables from exchange transactions	12 298 630	12 298 630
Other receivables from exchange transactions	29 605 902	29 605 902
Receivables from non-exchange transactions	64 222 150	64 222 150
Investments	473 433	473 433
Investments	5 819 995	5 819 995
	114 722 612	**114 722 612**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	39 779 888	39 779 888
Consumer deposits	3 078 663	3 078 663
Finance lease obligation	12 554 765	12 554 765
Loans	10 341 125	10 341 125
	65 754 441	**65 754 441**

2014

Financial assets

	At amortised cost	Total
Cash and cash equivalents	7 349 067	7 349 067
Consumer receivables from exchange transactions	11 245 094	11 245 094
Other receivables from exchange transactions	29 605 902	29 605 902
Receivables from non-exchange transactions	44 225 458	44 225 458
Investments	507 847	507 847
Investments	31 575 987	31 575 987
	124 509 355	**124 509 355**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	40 074 951	40 074 951
Consumer deposits	3 040 779	3 040 779
Finance lease obligation	14 339 610	14 339 610
Loans	8 469 678	8 469 678
	65 925 018	**65 925 018**

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

40. Cash generated from operations

Surplus	10 478 712	3 594 002
Adjustments for:		
Depreciation and amortisation	47 526 411	38 663 957
Gain on sale of assets and liabilities	-	407 063
Finance costs - finance leases	6 005 552	1 625 403
Debt impairment	8 857 568	14 452 108
Movements in retirement benefit assets and liabilities	1 866 000	5 865 000
Movements in provisions	13 455 477	23 089
Adjustment to property, plant and equipment	(4 079 868)	(3 559 944)
Increase in landfill site provision	(13 379 355)	-
Changes in working capital:		
Inventories	(1 257 659)	198 157
Other receivables from exchange transactions	-	51 902
Consumer receivables	(9 911 105)	(19 444 940)
Receivables from non-exchange transactions	(21 202 372)	(7 366 136)
Payables from exchange transactions	3 976 537	4 273 989
VAT	10 468 890	(2 893 710)
Unspent conditional grants and receipts	(16 471 472)	2 081 393
Consumer deposits	37 883	196 200
	36 371 199	**38 167 533**

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	17 531 659	24 056 696
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	43 840 133	60 964 968
Total capital commitments		
Already contracted for but not provided for	17 531 659	24 056 696
Not yet contracted for and authorised by accounting officer	43 840 133	60 964 968
	61 371 792	**85 021 664**

Total commitments

Total commitments		
Authorised capital expenditure	61 371 792	85 021 664

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 937 085	2 099 001
- in second to fifth year inclusive	1 440 204	3 434 823
	3 377 289	**5 533 824**

Operating lease payments represent rentals payable by the municipality for certain of its vehicles. Leases are negotiated for an average term of 3 years.

42. Contingencies

The municipality is defending a matter against a Construction Company for the amount of R 2,758,889. The company had requested an interdict to prevent the municipality from advertising certain developments that they believe were awarded. The municipality is of the opinion that the company had breached its contract with the municipality.
The outcome of the matter is not certain.

A firm of consultants was contracted to the uMtshezi Municipality to upgrade the Kwezi Hostel and are disputing the terms; value of the disputed amount is R 22,743.
The matter has been referred to the attorney's and the outcome thereof is not certain.

The publishing company claim that they prepared a publication for the municipality, but the municipality. The value of the disputed amount is R 151,652.
The matter has been referred to the attorneys and the outcome of the matter is not certain.

The municipality entered into a tripartite agreement with the Department of Human Settlements to redevelop and renovate Khwezi Hostel. The project has been under investigation from 2011 by the Special Investigation Unit. The amount incurred to date is R 29,246,331.
The outcome of the matter is not certain.

43. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Members of management	Section 57 managers - refer to note 30
	Councillors - refer to note 31

44. Comparative figures

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2014 is disclosed in note 45 Prior period errors.

45. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of compartives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

45. Prior period errors (continued)

Statement of Financial Performance for the year ended 30 June 2014	Balance as previously reported	Prior period error	Restated balance
Revenue			
Service charges	175 220 102	-	175 220 102
Rental income	463 433	-	463 433
Interest received	2 442 844	-	2 442 844
Licences and permits (exchange)	4 853 595	-	4 853 595
Rendering of services	2 136 652	-	2 136 652
Administration and management fees received	1 720	-	1 720
Fees earned	46 067	-	46 067
Property rates	60 174 153	-	60 174 153
Property rates - penalties imposed	7 164 545	-	7 164 545
Government grants and subisidies	71 951 607	-	71 951 607
Fines, penalties and forfeits	62 090	-	62 090
Other income	1 043 355	-	1 043 355
Total revenue	325 560 163	-	325 560 163

Expenditure	Balance as previously reported	Prior period error	Restated balance 2014
Employee related costs	(71 116 670)	-	(71 116 670)
Remuneration of councillors	(5 036 936)	-	(5 036 936)
Debt impairment	(14 452 108)	-	(14 452 108)
Depreciation and amortisation	(38 663 957)	-	(38 663 957)
Finance costs	(1 660 258)	-	(1 660 258)
Repairs and maintenance	(10 326 354)	-	(10 326 354)
Bulk purchases	(132 912 833)	-	(132 912 833)
Grants and subsidies paid	(6 142 844)	-	(6 142 844)
Loss on disposal of assets	(407 063)	-	(407 063)
General expenses	(42 435 189)	-	(42 435 189)
Total expenditure	(323 154 212)	-	(323 154 212)

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

45. Prior period errors (continued)

Statement of Financial Position as at 30 June 2014

Assets	Balance as previously reported	Prior period error	Restated balance
Current Assets			
Cash and cash equivalents	7 349 067	-	7 349 067
Consumer receivables from exchange transactions	11 245 094	-	11 245 094
Other receivables from exchange transactions	29 605 902	-	29 605 902
Receivables from non-exchange transactions	44 225 458	-	44 225 458
VAT receivable	16 082 644	-	16 082 644
Financial assets	31 575 987	-	31 575 987
Loans and receivables	507 847	-	507 847
Inventories	1 289 559	-	1 289 559
Total current assets	141 881 558	-	141 881 558

Non-current Assets	Balance as previously reported	Prior period error	Restated balance 2014
Property, plant and equipment	629 876 048	-	629 876 048
Intangible assets	437 980	-	437 980
Heritage assets	8 244 763	-	8 244 763
Financial assets	72 309	-	72 309
Total non-current assets	638 631 100	-	638 631 100

Liabilities	Balance as previously reported	Prior period error	Restated balance 2014
Current Liabilities			
Payables from exchange transactions	40 074 951	-	40 074 951
Finance lease obligation	3 032 408	-	3 032 408
Unspent conditional grants and receipts	18 921 943	-	18 921 943
Employee benefit obligation	1 103 000	-	1 103 000
Provisions	7 856 479	-	7 856 479
Sundry loans	733 660	-	733 660
Current portion of long term loan	366 635	-	366 635
Consumer deposits	3 040 779	-	3 040 779
Total current liabilities	75 129 855	-	75 129 855

Non-current Liabilities	Balance as previously reported	Prior period error	Restated balance 2014
Long term loan	8 103 043	-	8 103 043
Finance lease obligation	11 307 202	-	11 307 202
Employee benefit obligation	15 663 000	4 221 000	19 884 000
Provisions	-	-	-

Net Assets	Balance as previously reported	Prior period error	Restated balance 2014
Accumulated surplus	669 214 298	4 221 000	673 435 298
Housing operating account	1 095 260	-	1 095 260
Total net assets	670 309 558	4 221 000	674 530 558

Figures in Afghani	2015	2014

45. Prior period errors (continued)

Long service awards		
Long service awards	-	4 221 000

1. Long service awards provisions

A provision for long service award was not included in the previous years financials.

46. Risk management

Financial risk management

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to receivables on an ongoing basis. If receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivable, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Cash and cash equivalent	2 302 502	7 349 067
Consumer receivables from exchange transactions	12 298 630	11 245 094
Other receivables from exchange transactions	29 605 902	29 605 902
Receivables from non-exchange transactions	61 222 150	44 225 458
Loans and receivables	473 433	507 847
Financial assets	5 819 955	31 648 296

Market risk

Interest rate risk

As the municipality has few significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

47. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The municipality's current assets exceed its current liabilities and has accumulated surplusses of R 675 369 814.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

48. Events after the reporting date

No events noted after the reporting date.

Notes to the Annual Financial Statements

Figures in Afghani	2015	2014

49. Fruitless and wasteful expenditure

Opening balance	29 474 049	-
Add: Fruitless and wasteful expenditure - current year	-	113 859
Redevelopment and renovation of Khwezi Hostel	-	29 360 190
	29 474 049	**29 474 049**

50. Irregular expenditure

Opening balance	1 938 788	-
Add: Irregular expenditure - current year	1 840 267	12 792 802
Less: Amounts condoned	(1 840 267)	(2 291 738)
Corrected error	-	(8 562 276)
	1 938 788	**1 938 788**

51. Budget differences

Material differences between budget and actual amounts

Reason for variances of 10% and above between the budget and actual amounts are provided.

Service charges: The use of electicity by households and businesses was less than anticipated. The businesses had to cut down their loads during load shedding and this resulted in less income.

Interest received - investment: Due to delays in the commencing of projects, expenditure on capital grants is low during the first five to six months of the financial year. This results in large amounts remaining in the investments accounts for the first months of the year. This resulted in a substantial amount of interest to be accumulated on those investment accounts. Furthermore two investment accounts were opened in the financial year.

Other income: The large variance in other income is due to sale of land. The income received was much more than anticipated.

Employee related cost: The municipality filled a number of vacants posts in the past financial years. The budget has not accommodated the filling of vacant posts. Each year the employee related cost was increased by the percentage proposed by Treasury.

Debt impairment: The municipality expected to write off about R12 million of debt, but not enough indigent people completed the indigent forms and therefore only R8 million was written off. The municipality also appointed a new service provider for debt collection and it was discovered that some of the debt could actually be collected.

General expenditure: The expenditure was minimised due to reduced electricity income.